

Message Text

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54

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AMEMBASSY VIENNA

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AMCONSUL KRAKOW

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TAGS: ECON, ETRD, PFOR, PL

SUBJECT: SIX-MONTH FIGURES ON 1974 PLAN FULFILLMENT

REF: WARSAW 3709 (NOT SENT BERLIN); WARSAW 4293

PASS COMMERCE FOR BEWT

VIENNA FOR EWTC

1. SUMMARY. POLISH PRESS OF JULY 24 CARRIED SIX-MONTH FIGURES ON FULFILLMENT OF NATIONAL ECONOMIC PLAN FOR 1974. RESULTS WERE DESCRIBED AS "FAVORABLE," WITH TARGETS MET OR EXCEEDED IN INDUSTRIAL PRODUCTION, REAL WAGES, HOUSING, AND OTHER IMPORTANT AREAS. ONCE AGAIN, INVESTMENTS AND IMPORTS GREATLY EXCEEDED PLANNED LEVELS.

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LATENT INFLATIONARY PRESSURES REMAIN A MAJOR PROBLEM,

AND FOR THE FIRST TIME IN AT LEAST THREE YEARS, PUBLISHED FIGURES SHOW AN INCREASE IN THE COST OF LIVING OF 3.8 PERCENT OVER THE END OF JUNE, 1973. FIGURES ON NATIONAL INCOME WERE NOT PUBLISHED. FULL TEXT OF CENTRAL STATISTICAL ADMINISTRATION (GUS) COMMUNIQUE WILL BE CARRIED IN EMBASSY'S POLISH NEWS BULLETIN, POUCHED REGULARLY TO WASHINGTON AND VIENNA, THIS WEEK. END SUMMARY.

2. ANALYSIS OF FIGURES SHOWS THAT INFLATIONARY PRESSURES CONTINUE TO PLAGUE POLISH ECONOMY. WHILE INDUSTRIAL PRODUCTION IN THE SOCIALIZED SECTOR ROSE 12.7 PERCENT AND THE PRODUCTIVITY OF LABOR IN THIS BRANCH INCREASED BY 10.1 PERCENT IN COMPARISON WITH THE FIRST HALFOF 1973, THE MONEY WAGE INCREASED BY 15.1 PERCENT. ALTHOUGH THE COST OF LIVING, ACCORDING TO PUBLISHED FIGURES, IS NOW 3.7 PERCENT HIGHER THAN IT WAS AT THE END OF JUNE, 1973 (AN INCREASE ATTRIBUTED BY GUS TO THE HIGHER PRICE OF ALCOHOLIC AND OIL PRODUCTS, THE AVERAGE PER CAPITA REAL WAGE REGISTERED

A 7.9 PERCENT GAIN, INCREASING PRESSURE ON THE MARKET. FURTHER SIGNS OF INFLATIONARY PRESSURES INCLUDE THE GROWTH IN OUTLAYS FOR INVESTMENT (UP 27.2 PERCENT IN THE SOCIALIZED SECTOR) AND IN IMPORTS (UP 42.3 PERCENT AT CURRENT PRICES).

3. AS AN INDICATION OF THE RISE IN PURCHASING POWER, RETAILS SALES WERE 14.3 PERCENT HIGHER THAN THEY WERE IN THE FIRST HALFOF 1973. THE PROPORTIONOF SALES OF NON-FOOD TO FOOD PRODUCTS, HOWEVER, REMAINED ABOUT THE SAME (57.4 PERCENT TO 32.6 PERCENT), DESPITE THE RELATIVE STABILITY OF FOOD PRICES. GUS ADMITTED, AS PREMIER JAROSZEWICZ IN HIS JUNE 25 SPEECH TO THE SEJM DID NOT, THAT DIFFICULTIES IN MEETING GROWING DEMAND FOR MEAT REMAIN. DELIVERIES OF MEAT, POULTRY, AND THEIR PRODUCTS TO THE MARKET (BOTH STATE AND PRIVATE) ROSE BY 9 PERCENT. (NOTE: JAROSZEWICZ, IN JUNE 25 SPEECH REPORTED REFTEL, ERRED IN STATING THAT MARKET SUPPLIES OF MEAT AND MEAT PRODUCTS WOULD REACH 64 KILOS PER CAPITA IN 1974. CONSUMPTION OF MEAT AND MEAT PRODUCTS, WHICH IN 1973 REACHED 58.6 KILOS PER CAPITA, MAY ATTAIN THE LEVEL OF 64 KILOS P.C., BUT MARKET SUPPLIES, EVEN INCLUDING LIMITED OFFICIAL USE

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POULTRY, WERE ONLY 42.4 KILOS PER CAPITA IN 1973 AND CANNOT BE EXPECTED TO RISE MUCH BEYOND 45 KILOS P.C. IN 1974. WE ATTRIBUTE DIFFERENCE BETWEEN MARKET SUPPLIES AND CONSUMPTION TO SLAUGHTER BY THE PEASANTS FOR THEIR OWN USE AND FOR PRIVATE SALE OUTSIDE AUTHORIZED CHANNELS. WE ESTIMATE THIS SLAUGHTER AT ROUGHLY 200 KILOGRAMS FOR EACH OF 3 MILLION FARMERS. END NOTE) THE CLOSING OF COMMON MARKET BORDERS TO BEEF IMPORTS MAY

WELL DIVERT SOME BEEF, OF WHICH POLAND EXPORTED 18,000 TONS TO THE EC IN 1973, TO THE DOMESTIC MARKET, BUT AT THE COST OF SUBSTANTIAL HARD-CURRENCY EARNINGS. THE STATE SPENT 20 PERCENT MORE AT CURRENT PRICES FOR PURCHASES OF AGRICULTURAL PRODUCTS THAN IN THE FIRST HALF OF LAST YEAR. THE LIVESTOCK COUNT ALSO ROSE, WITH CATTLE UP 6.8 PERCENT (9.8 PERCENT ON STATE FARMS) AND SWINE UP 8.7 PERCENT (21 PERCENT ON STATE FARMS).

4. IN FOREIGN TRADE, IMPORTS ROSE 42.3 PERCENT TO 15.4 BILLION FOREIGN-EXCHANGE ZLOTYS, EQUIVALENT TO \$4.6 BILLION, AND EXPORTS ROSE 26.4 PERCENT TO 12.6 BILLION FOREIGN-EXCHANGE ZLOTYS, EQUIVALENT TO \$3.8 BILLION, FOR A DEFICIT BALANCE OF \$8,0 MILLION. GUS ASSIGNS THE BALME FOR EXCESSIVELY HIGH IMPORT LEVELS TO THE DOWNTURN IN POLISH TERMS OF TRADE, ESPECIALLY WITH HARD-CURRENCY COUNTRIES. (FIVE-MONTHS FIGURES PUBLISHED EARLIER SHOWED A 79 PERCENT INCREASE IN IMPORTS FROM THE INDUSTRIAL WESTOVER JANUARY-MAY 1973. THESE IMPORTS ACCOUNTED FOR 48 PERCENT OF TOTAL IMPORTS, COMAPRED TO 39 PERCENT IN FIRST FIVE MONTHS OF LAST YEAR).

5. FORTY-SIX PERCENT OF THE INVESTMENT PLAN FOR 1974 HAS BEEN FULFILLED. INVESTMENT OUTLAYS IN THE SOCIALIZED SECTOR, HOWEVER, WERE 27.2 PERCENT GREATER THAN LAST YEAR, COMPARED TO THE PLANNED INCREASE OF ONLY 12.4 PERCENT. THE GUS REPORT NOTED SOME IMPROVEMENT IN THE TIMELY COMPLETION OF INVESTMENT PROJECTS, CITING AMONG OTHERS THE OPENING OF FOUR 200AMW POWER PLANTS, THE "RUDNA" COPPER MINE, TWO COLD-STORAGE FACILITIES, AND THREE DAIRIES.

6. COMMENT: THE ANNOUNCEMENT BY FIRST SECRETARY GIEREK LIMITED OFFICIAL USE

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ON JULY 21 THAT PRICES OF BASIC FOODSTUFFS WILL REMAIN STABLE AT DECEMBER, 1970, LEVELS UNTIL THE END OF 1975 MUST BE A MATTER OF SERIOUS CONCERN TO MANY POLISH ECONOMISTS. STATE SUBSIDIES TO AGRICULTURE IN 1974 ARE EXPETED TO AMOUNT TO 80 BILLION ZLOTYS. AS WAGES RISE, THE MONEY SUPPLY CONTINUES TO EXPAND BEYOND THE ABILITY OF THE MARKET TO PROVIDE GOODS, AND PERSONAL SAVING HAVE RISEN TO OVER 230 BILLION ZLOTYS. THE VERY REAL ACHIEVEMENTS OF THE PAST THREE YEARS, EVIDENT NOT ONLY IN PLAN-FULFILLMENT FIGURES BUT ALSO IN A RISING STANDARD OF LIVING, MASK STRONG INFLATIONARY PRESSURES ONLY PARTLY RELIEVED BY RECENT PRICE INCREASES IN SELECTED PRODUCTS AND SERVICES. FUTTHER PRICE INCREASES CAN BE EXPECTED. TO SOME EXTENT, POLISH ECONOMIC PROGRESS OVER THE PAST THREE YEARS HAS BEEN DEPENDENT ON

FOREIGN CREDITS, ALMOST ALL FROM WESTERN SOURCES. AS THE COST OF MONEY RISES AND THE TERMS OF TRADE MOVE AGAINST POLAND IN ITS DEALINGS WITH THE WEST, THE MAINTENANCE OF THIS DEBT AT A TOLERABLE LEVEL WILL BECOME MORE DIFFICULT, AND POLISH FINANCIAL AND TRADE RELATIONS WITH WESTERN COUNTRIES WILL BECOME EVER MORE CRITICAL TO THE CONTINUED SUCCESS OF PRESENT ECONOMIC POLICIES. SIMILARLY, AND DESPITE RHETORIC TO THE CONTRARY, POLAND IS AND WILL BE INCREASINGLY AFFECTED BY ECONOMIC EVENTS IN THE WEST OVER WHICH IT HAS NO CONTROL. UNEXPECTED DEVELOPMENTS SUCH AS THE ENERGY CRISIS, WESTERN INFLATION, OR THE EC'S PROHIBITION ON BEEF IMPORTS, INCREASE THE NEED FOR FLEXIBILITY AND IMPROVISATION AND MAKE THE PLANNING PROCESS, STILL LARGELY BASED ON THE SYSTEM OF MATERIAL BALANCES, A LESS USEFUL TOOL FOR CHARTING THE COURSE OF THE POLISH ECONOMY. END COMMENT

7. KEY INDICATORS:

A) ITEM

B. PLANNED PERCENTAGE INCREASE FOR 1974 OVER 1973

C. PERCENTAGE INCREASE, FIRST HALF OF 1974 OVER FIRST HALF OF 1973

A. B. C.
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REAL WAGES PER CAPITA	5.0	7.9
MONEY WAGES	10.8	15.1
INVESTMENT (SOCIALIZED		
SECTOR)	12.4	27.2
INDUSTRIAL PRODUCTION		
(SOCIALIZED SECTOR)	11.0	12.7
ELECTRICAL ENERGY	8.9	9.8
PIT COAL	3.2	4.4
COPPER	29.9	12.4
NITROGEN FERTILIZER	5.1	7.3
PHOSPHATE FERTILIZER	6.2	-3.9
PASSENGER CARS	23.9	27.2
HOUSING (SQUARE METERS		
COMPLETED)	9.7	12.3
EXPORTS	19.4	26.4
IMPORTS	22.1	42.3

DAVIES

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